

ENTERTAINMENT DEPARTMENT

STATE OF NEVADA
GAMING CONTROL BOARD
INTERNAL AUDIT COMPLIANCE CHECKLIST

ENTERTAINMENT DEPARTMENT

WALK-THROUGH PROCEDURES

For the walk-through procedures, indicate (by tickmark) whether the procedures were confirmed through inquiry of licensee personnel, via observation of procedures, or examination of a completed document.

Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary.

Note W/P Ref.:_____

All “no” and “n/a” answers require an explanation and disposition (e.g., approval of alternative procedure granted by the Board, including computerized applications). All exceptions noted should be carried to the internal auditor’s report/summary of findings for timely follow-up.

Note W/P Ref.:_____

The bolded number following each question refers to the applicable regulation/statute.

Scope

This checklist must be completed once in each fiscal year. Taxable entertainment areas include licensee operated and leased venues located on the legal premises. Refer to **Regulation 13** and **NRS 463.4015** for exclusions. If multiple entertainment areas exist, additional checklists should be completed to adequately document procedures. Walk-throughs should be performed during entertainment status for frequent, routinely scheduled entertainment. Walk-throughs are not necessary for special events. Procedures should include verification that entertainment tax is being charged on sales which occur during breaks unless the requirements of **Regulation 13.020(6)** have been met.

MICS Variations and Regulation Waivers

Obtain copies of MICS variation requests and GCB correspondence regarding such requests from appropriate property personnel. Review to determine status of evidence of any waivers or alternative requirements imposed by granted variations. Modify and/or perform additional procedures as applicable.

Associated Equipment

Determine if field trial or final approval has been received for all associated equipment used in the entertainment department. For all unreported associated equipment, cite violations of **Regulation 14.290**. If any associated equipment is currently on field trial, it is not necessary to perform a walk-through of the procedures in effect utilizing the field trial letter. For “approved” associated equipment, utilizing the final approval letter, perform a walk-through of any **special requirements** imposed on the use of the associated equipment including any additional controls which were included in your written system of internal control.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

Note: Variations/waivers and associated equipment need only be scheduled once. Refer to the work paper where the details are scheduled and complete the last two columns of the above grid if walk-through procedures are affected.

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	YES	NO	N/A	COMMENT, W/P REFERENCE	PERSON INTERVIEWED/ TITLE
1. Complete the CPA MICS Compliance Checklist for Entertainment in accordance with the CPA MICS Compliance Reporting Requirements "Guidelines".					
<p>Auditoriums</p> <p>2. If there is an auditorium or convention hall, is adequate documentation maintained to prove that the capacity was never below 2,750 seats? NRS 463.4002</p> <p>If "yes", state the name(s).</p>					
<p>Showrooms</p> <p>3. Is there a showroom which is an area set up to seat 2,749 or fewer people? NRS 463.4004</p> <p>If "yes", state the name(s).</p>					
<p>Cabaret Lounges</p> <p>4. Is there a cabaret lounge? Regulation 13.020</p> <p>If "yes", obtain the answers to questions 5 & 6 through observation when the lounge is in entertainment status.</p>					

E = Confirmed via examination/review
I = Confirmed via inquiry
O = Confirmed via observation

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5. If the entertainment within the cabaret lounge can be clearly seen and heard outside of the enclosed lounge, is casino entertainment tax applied to food, beverage, and merchandise sales for that area? Regulation 13.020(10)					
6. Are there absolutely no bars or service areas within the general vicinity outside the cabaret or showroom which should be (or might be) subject to entertainment tax? Regulation 13.020(11)					
Other Areas 7. If any instrumental, juke box or MTV music is provided, are there no dance floors located within close proximity of the music; or if a dance floor is not provided, is dancing not permitted? Regulation 13.020(3)					
8. Were no community singing, song sheets or display of words to be sung provided in the showroom, cabaret lounge, or cocktail lounge? Regulation 13.020(4)					

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<p>9. If entertainment subject to tax is offered in any facility located in the licensed gaming establishment, and the facility is operated by another person or entity (“four-waller”):</p> <p>a. Is the licensee collecting the tax from the four-waller and remitting the tax based upon the four-waller’s records? Regulation 13.050(2)</p>					
<p>b. Is the licensee keeping all records pertaining to this entertainment facility as required by NRS 463 and Regulation 6, and either keeping the records pertaining to this entertainment facility or requiring the four-waller to keep the records required by Regulation 13.060? Regulation 13.050(3)</p>					
<p>Entertainment Sales Controls</p> <p>10. Do admission tickets state whether CET is included in the price of the ticket? Regulation 13.050(5)</p>					

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11. Are gratuities or service charges included in amounts charged on CET sales? If so, determine that entertainment tax was not paid on the amount of gratuity or service charge paid to persons other than the licensee. NRS 463.401(1)					
12. Are processing fees or handling charges included in amounts charged on CET sales? If so, determine that entertainment tax was paid on the amount of the fee or handling charge retained by the licensee. NRS 463.401(1)					
<p>Package Programs</p> <p>13. Are package program breakdowns computed in accordance with Regulation 13.040(3)?</p> <p>Note: A package containing unlimited drinks, each retailing at less than \$5, redeemable in areas subject to entertainment tax is considered to be one element of the package (and thus in excess of the \$5 threshold).</p>					

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<p>Accounting</p> <p>14. Are all merchandise sales subject to casino entertainment tax properly recorded? (List location of sales.)</p> <p>Merchandise sold outside an entertainment facility is not subject to CET unless the purchase also entitles the purchaser to admission. Merchandise will be deemed to be sold <u>inside</u> if a patron must pay an admission, cover or similar charge in order to gain access to the merchandise. Regulation 13.055</p>					
<u>Procedures Modified or Added</u>					

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TESTING PROCEDURES

OBJECTIVES: To determine if controls for entertainment are adequate to ensure entertainment taxable revenues are accurately stated in financial records and to determine compliance with the MICS.

PREPARATION: Review the MICS variations and regulation waivers scheduled during the entertainment walk-through procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedure modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the "Walk-through Procedures Checklist".

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

SCOPE: Unless otherwise indicated, select 1 day per year. If no activity took place in an entertainment area, select an additional test date for that area. Only entertainment areas with frequent, routinely scheduled entertainment need be examined (including showrooms, lounges and leased facilities). If multiple entertainment areas exist, steps #2 through #7 should be completed for each area. Steps #8 through #13 only need to be performed once.

COMPLETION: Using your own work papers, document the completion of the procedures listed below. All exceptions noted should be carried to the internal auditor's report/summary of findings for timely follow-up. **Note W/P Ref.:**_____

	W/P Reference/Comments	Auditor's Initials/Date
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow-up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary.		

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	W/P Reference/Comments	Auditor's Initials/Date
<p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>2. Foot individual sales subject to casino entertainment tax on the computerized detail transaction reports or restricted cash register tapes and trace to the monthly revenue journal(s). (Not applicable to wholesaler/broker sales.)</p> <p>If multiple entertainment areas use the same computerized system, only one area needs to be footed.</p>		
<p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>3. Through examination/comparison of entertainment schedules and computer parameters, determine that all sales subject to casino entertainment tax have been properly included in the system generated totals..</p>		
<p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>Entertainment Area _____ Test Date _____</p> <p>4. Determine that entertainment food and beverage sales are properly calculated (e.g., net of applicable taxes and gratuities, exclusive of complimentaries).</p>		

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	W/P Reference/Comments	Auditor's Initials/Date
Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ 5. For the shift(s) containing entertainment revenue reconcile sales to total turn-in or to sales reported by four-wallers, as applicable.		
Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ 6. Verify that the actual hours of entertainment agree to the entertainment contracts.		
Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ Entertainment Area _____ Test Date _____ 7. If entertainment revenue is reported based on admission tickets redeemed , determine the propriety of the reconciliation of show admission ticket sales to redeemed tickets, by type of ticket.		
8. Verify that package program breakdowns have been performed. Select one package program and verify that the breakdown complies with Regulation 13 and that entertainment taxable revenue was properly included in entertainment sales. Not applicable if package program entertainment items are reported at retail.		
9. Verify that the entertainment revenue subject to tax has been determined for discount show tickets. Select one type of discounted show ticket and verify that the revenue subject to tax was properly computed and included in entertainment sales.		

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10. For areas with nonrecurring entertainment (e.g., New Year's Eve or other special events), determine that taxable revenue has been properly computed.		
11. For the month containing a test day, foot one revenue account in the monthly revenue journal/food and beverage spreadsheet and foot all totals, tracing the grand total to the NGC-11.		
12. Determine the propriety of any adjustments made to the grand total of the monthly revenue journal/food and beverage spreadsheet (e.g., a reduction for credit card fees actually paid to an outside institution that are <i>not included in the revenue journal/spreadsheet</i> , an increase for unredeemed ticket sales, etc.).		
13. Examine the general ledger for any activity that was not included in reported revenue and should have been.		
<u>Procedures Modified or Added</u>		